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ACTION E-11

DECLASSIFICATION DATE 6/16/76
PER MJerabek OFFICE Eur
FADRC FOI CASE NO. 5-A-88

London - 11474 12-16-71

INFO OCT-01 AF-08 EUR-20 CIAE-00 DODE-00 PM-06 H-02 INR-06
L-03 NSAE-00 NSC-10 P-03 RSC-01 PRS-01 SS-14 USIA-12
AID-20 COM-08 FRB-02 TRSE-00 XMB-06 OPIC-12 CIEP-01
LAB-06 SIL-01 SAL-02 OMB-01 JUS-02 OEP-01 INT-06
RSR-01 /167 W

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 6/16/76
RDS☐or XDS☐EXT. DATE
TS AUTH. REASON(S)
ENDORSE EXISTING MARKINGS ☐
DECLASSIFIED☐ RELEASABLE☑
RELEASE DENIED☐
PA or FOI EXEMPTIONS

P R 161827Z DEC 71
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 9688
INFO AMCONSUL BENGHAZI
AMEMBASSY TRIPOLI

C UNCLASSIFIED N T I A L LONDON 11474

SUBJECT: OIL, BP NATIONALIZATION

REF: STATE 224928

1. SUMMARY. IN DECEMBER 16 REVIEW OF SITUTAION BP OFFICIAL REPEATED THAT BP HAS SENT LETTERS RESERVING ITS RIGHTS TO OIL COMPANIES AND REFINERS (INCLUDING EASTERN EUROPE) AND LETTER TOLIBYAN MINPET PROTESTING UNILATERAL ACTION AND REQUESTING ARBITRATION. BP "PLANS" CURRENTLY LIMITED TO ACCOMPLISHING HANDOVER AND GETTING EXPATRIATE STAFF OUT OF LIBYA. LONDON HEADQUARTERS AWAITING FULL REPORT OF DECEMBER 13 INDUSTRY MEETING IN NEW YORK, AND BUNKER HUNT DECISIONS ABOUT OPERATIONS AND MARKETING. BP ALSO CONCERNED ABOUT APPLICABILITY SHARING AGREEMENT TO THIS SITUATION. END SUMMARY.

2. BP OFFICIAL (TOTTENHAM-SMITH) SAID THAT LETTERS RESERVING BP'S RIGHTS HAD BEEN SENT TO LONG LIST OF OIL COMPANIES AND REFINERS, INCLUDING STATE COMPANIES IN EASTERN EUROPE. BP HAD NOT YET DONE SO BUT IT PLANNED TO SEND SAME LETTER TO ARAB NATIONAL OIL COMPANIES.

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3. SMITH CONFIRMED THAT BP HAD ALSO SENT LETTER TO MINPET PROTESTING LIBYAN ACTION AS UNILATERAL BREACH OF AGREEMENT, NAMING SIR ALEXANDER WALDOCK AS BP'S ARBITRATOR AND REQUESTING LARG TO DESIGNATE AN ARBITRATOR. (ACCORDING TO THIS SOURCE ARBITRATION PROVISION IN CONCESSION AGREEMENT STIPULATES THAT EACH PARTY SHALL DESIGNATE ONE ARBITRATOR.) HE ADDED THAT BP DID NOT EXPECT LARG TO AGREE TO ARBITRATION. HE WAS NOT CERTAIN HOW THAT CONTINGENCY WAS COVERED IN THE CONCESSION AGREEMENT BUT AGREED TO CHECK WITH BP LEGAL STAFF.

4. SMITH SAID THAT CURRENT BP CONCERN IS TO EXPEDITE EVACUATION OF BP EXPATRIATE PERSONNEL AND THE BP BECOMING ALARMED AT REPORTS THAT LARG HAD REFUSED TO ALLOW DEPARTURE OF CERTAIN BP PERSONNEL WHO HAD TRIED TO LEAVE. HE ADDED THAT BP MAKING NO EFFORT PREVENT LARG FROM RECRUITING AMONG ITS PERSONNEL BUT DOUBTED THAT IT WOULD HAVE MUCH SUCCESS EVEN THOUGH OFFERING SALARY INCREASE REPORTED AT 50 PERCENT.

5. ASKED HOW BP WOULD REACT IF BUNKER HUNT WERE TO TAKE OVER OPERATIONS, SMITH SAID THAT HE ASSUMED THAT THAT PROBLEM HAD BEEN DISCUSSED AT DECEMBER 13 MEETING, BUT THAT LONDON DID NOT HAVE FULL REPORT YET. SUBJECT TO DECISIONS THERE AND VIEWS BP'S LEGAL STAFF, SMITH THOUGHT THAT AS GENERAL PROPOSITION BP ACCEPTED THAT BUNKER HUNT SHOULD HAVE ACCESS TO ITS HALF SHARE OF PRODUCTION, ALTHOUGH QUESTIONS COULD ARISE WHETHER HALF SHARE MEANT HALF SHARE OF CURRENT CAPACITY OR HALF SHARE OF ACTUAL PRODUCTION (ACCORDING SMITH LARG HAS NOW FIXED "ALLOWABLE" AT 225,000 B/D.) SMITH PREFERRED NOT TO SPECULATE ABOUT BP REACTION IF BUNKER HUNT TOOK OVER ENTIRE OPERATION. HE OBSERVED ONLY THAT BP/BUNKER HUNT AGREEMENT (WHOSE DETAILS HE DID NOT HAVE) MIGHT HAVE APPLICABILITY AND THAT ASSUMPTION OF ACTIVE ROLE BY BUNKER HUNT COULD HAVE IMPLICATIO FOR WHOLE PARTICIPATION ISSUE. BP'S REACTION WOULD DEPEND ON ALL THE CIRCUMSTANCES SURROUNDING ANY BUNKER HUNT ASSUMPTION OF OPERATIONS.

6. SMITH EXPRESSED HOPE THAT SHARING AGREEMENT WOULD BE APPLICABLE TO CURRENT SITUATION, AND THAT IF NECSESSARY BUSINESS REVIEW LETTER COULD BE APPROPRIATELY REVISED.

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7. ABOVE CONVERSATION TOOK PLACE AND MESSAGE DRAFT PRIOR RECEIPT BENGHAZI 479. GP-4
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